

FISCAL NOTE

SB 1276 - HB 1328

March 16, 2001

SUMMARY OF BILL: Enacts the Revised Uniform Partnership Act "RUPA" of 2001 which makes several changes to the uniform partnership laws and maintains present law regarding limited liability partnerships (LLPs) as follows:

- Partnerships would be authorized to file statements of authority, executed by at least two partners, with the Secretary of State. A statement of authority could authorize or limit one or more partners' authority to enter transactions on behalf of the partnership. A statement of authority could serve as notice to purchasers of a partner's right, or lack thereof, to dispose of partnership property other than real property.
- Partnerships would also be authorized to record a certified copy of a statement that has been filed with the Secretary of State in the office of the Register of Deeds. A statement so recorded could serve as notice of a partner's authority, or lack thereof, to convey real estate owned by the partnership.
- A partnership would be authorized to amend or cancel a statement of authority by filing an amendment or cancellation. A statement would expire five years after the statement was filed, or after the most recently filed amendment.
- A partner in a partnership that has filed a statement of authority would be authorized to file a statement of denial that would serve as notice of a limitation of authority to third parties.
- A dissolved partnership would be authorized to file a statement of dissolution.
- The new filing fee for statements filed with the Secretary of State would be \$20.00. The fee for statements recorded in a county Register of Deeds office would be \$5.00 for the first five pages and \$0.50 per additional page.
- The concept of partnership property held as tenancy in partnership would be replaced with a concept that all partnership property is owned by the partnership as an entity.
- A partner would be authorized to disassociate from a partnership under certain circumstances.
- A partnership would be authorized to convert to a limited partnership upon approval of the partners and filing of a certificate of limited partnership.
- The bill takes effect on January 1, 2002. The bill would apply to partnerships formed after January 1, 2002, and partnerships existing before that date which elect to be covered by the act.

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ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$157,900 Recurring - First Full Year
\$68,300 One-Time

Increase State Revenues - \$600,000 First Full Year

Increase Local Govt. Revenues - Not Significant

Details of this estimate are shown below:

EXPENDITURES:

Annual Personnel Costs (including benefits):

1 Filing Officer	\$41,400
2 Filing Specialists	73,400
Postage	7,000
Rental Space	16,200
Supplies	4,000
Communication cost	6,000
Equipment (one-time)	13,200
<i>System development services</i>	
Application & web development (one-time)	55,100
Maintenance	9,900
Total	<u>\$ 226,200</u>

REVENUES:

25,000 filings at \$20 per filing	\$500,000
5,000 certification and copy requests at \$20 per request	\$100,000

This estimate is based on the following:

- Currently, there are more than 25,000 general partnerships (excluding 136,000 husband/wife partnerships) in Tennessee. If most of these general partnerships (either existing or new formations) file at least one document per year with the Secretary of State, it is estimated that the Division of Business Services would experience an increase of at least 25,000 filings annually and 5,000 certification and copy requests annually.
- Such an increase in filings and requests is estimated to generate \$600,000 (\$20 x 30,000) in state revenues on an annualized basis.
- A management information database will need to be developed to maintain information concerning the new filings. The Division will also provide online Internet access to such database information.
- no significant increase in local government revenues since county Register of Deeds are currently charging \$7.00 per statement plus an additional \$0.50 for each page in the statement over 5 pages. This estimate assumes the changes in partnership law would not result in a substantial increase or decrease in the number of statements filed in the Register of Deeds offices across the state. Therefore, the increase in local government revenues is estimated to be not significant.

For information purposes, during calendar year 2000, the Division of Business Services' corporate filing and certifications sections processed over 178,600 filings relating to 138,000 active businesses (corporations, limited liability companies, limited partnerships and limited liability partnerships) and processed over 28,200 certificate and copy requests relating to such businesses.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

James A. Davenport, Executive Director